NATIONAL OCEANIC

AND

ATMOSPHERIC ADMINISTRATION

CONSTRUCTION WORK-IN-PROGRESS

(CWIP)

POLICY AND PROCEDURES

SEPTEMBER 1998

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Purpose

The purpose of this document is to prescribe the policies and procedures governing the accounting standards for identifying, documenting, reporting, and monitoring the National Oceanic and Atmospheric Administration's (NOAA) Construction Work-In-Progress (CWIP) costs for Capital Assets.

Accounting and financial reporting standards are essential for public accountability and for an efficient and effective functioning of our democratic system of Government. Thus, Federal accounting standards and financial reporting play a major role in fulfilling the government's duty to be publicly accountable and can be used to (1) assess the government's accountability and its efficiency and effectiveness, and (2) contribute to the understanding of the economic, political, and social consequences of the allocation and various uses of federal resources.

NOAA is in the process of formulating policy to account for software developed or purchased to meet its internal needs. This policy being developed will address the provisions of Statement of Recommended Accounting Standards (SRA) #10 (dated June, 1998) which advises that the cost of internal use software be capitalized. If approved, the provisions of SRA #10 will be effective for reporting periods that begin after September 30, 2000.

Given the unique differences associated with the acquisition and accountability of Major Systems and Satellites Property, Plant and Equipment (PP&E), the specific CWIP policy and procedures for these areas will be addressed in Appendices A and B of this document.

Overview of CWIP and the Process

CWIP issues and costs are governed by the policy for general Property, Plant and Equipment (PP&E). CWIP is a temporary holding account used to track costs during the design and construction of PP&E that will eventually be capitalized and depreciated in NOAA's financial statements. The costs remain in the CWIP account until the PP&E has been constructively delivered and accepted by NOAA. Upon "delivery", or when the item is placed into service, the CWIP costs are transferred to the appropriate PP&E asset account. The CWIP accounting process must be followed even if a project is expected to begin and finish in the same fiscal year.

In order to be considered a CWIP project, a construction project must meet all of the following four criteria for capitalization:

(1) have an aggregate acquisition cost of $200,000 or more;
(2) have an estimated service life of two years or more;
(3) provide a long-term future economic benefit to the organization which maintains or obtains control; and,
(4) is not intended for sale in the ordinary course of operations.

An additional determination must be made for capital improvement projects to property. A project that extends the useful life of the asset will be capitalized and must be treated as a CWIP project.

It is NOAA's policy to ensure that there is a Task Manager responsible for maintaining quantitative and financial control over each project under construction, whether the project is for Real or Personal property. The responsibilities of that individual include the work needed to record the capitalization of the costs during the construction of the asset and to ensure that the CWIP costs are reclassified upon completion. The proper accounting for CWIP is important not only because it is mandated under the Chief Financial Officers (CFO) Act of 1990, but because it also supports the capitalized Property, Plant and Equipment (PP&E) and depreciation components of the organization's Statement of Financial Position.

The following are the major steps involved in the CWIP accountability process. The sections referenced are where the steps are described within this document:

- CWIP Project and Task Manager Identification. Determine whether or not a project meets the criteria for a CWIP project, and if so, designate a CWIP Task Manager (Section 1).

- Task Code Assignment. If a project is identified as CWIP, ensure that a unique CWIP task code designator is assigned to facilitate the capturing of CWIP costs incurred under that project (Section 2).

- CWIP Project Cost Categorization. The costs associated with a CWIP project must be accurately categorized as either capitalizable or expensed costs (Section 3).

- Documentation. The required documentation for a CWIP project from its inception to completion must be collected and transferred to the Property (Real or Personal) files (Section 4).

- Transferring the Asset to PP&E. Capital costs accumulated in the CWIP portion of the general ledger must be transferred to General PP&E. (Section 5).

- General Processing Responsibilities. The responsibilities of the relevant offices in the CWIP project process and a corresponding flowchart are listed in Appendix C.

With the information collected through adherence to this policy and procedures document, NOAA will be able to establish the detailed subsidiary record required to support CWIP recorded in the General Ledger.

The NOAA OFA Budget Execution Office will have the responsibility of interpreting, monitoring, and issuing all NOAA CWIP policy and procedures, including modifications to existing guidance. This will be accomplished through liaison efforts with the various offices, both within NOAA and outside of NOAA (e.g., the Federal Accounting Standards Advisory Board (FASAB)), involved with capital asset identification and accountability. The NOAA Personal and Real Property Offices will be responsible for determination of the policies for capitalization of PP&E.

(the words "he", "him" and "his", when used with this document, represents both the masculine and feminine genders unless otherwise specified).

1.0 CWIP Project Identification

1.1 Project Identification

Any asset (either Real or Personal Property) being acquired or constructed that will eventually be capitalized and reported in the financial statements must be included in the CWIP process. Capital assets are those having all of the following:

- having an aggregate acquisition cost of $200,000 or more;
- having an estimated service life of 2 years or more;
- provides a long term future economic benefit to the organization which maintains or obtains control;
- they are not intended for sale in the ordinary course of operations; and,

An additional determination must be made for capital improvement projects to property. A project that extends the useful life of the asset will be capitalized and must be treated as a CWIP project.

CWIP issues and costs are governed by the policy for general PP&E. In addition to the acquisition costs of PP&E, certain costs associated with preparing the PP&E for service must be capitalized and therefore need to be recorded in the CWIP account. With the procedures established in this document, NOAA will be able to maintain an accurate record of its CWIP in its accounting system.

CWIP projects are to be identified prior to any costs being incurred against them. It is critical that a CWIP project be identified at the project's inception, so that the key steps can be incorporated early, avoiding time-consuming reconstruction and documenting of all relevant costs. The NOAA OFA Budget Execution Office will include a reminder to check for CWIP projects in the annual target to facilitate the identification of current and future CWIP projects.

The NOAA OFA Budget Execution Office will, on a quarterly basis, issue a CWIP Project List to all Line Office organizations, Real and Personal Property Offices, Administrative Support Centers, OFA Finance, the NOAA Construction Staff and designated CWIP Task Managers. The CWIP Project list will include key information on the project and contact names in the OFA Budget Execution Office, OFA Finance, and the Real and Personal Property Offices.

1.2 CWIP Task Manager Designation and Roles

The manager of the NOAA organization which has had the funds allowed to it is responsible for ensuring that CWIP policy and procedures are followed for all applicable projects and will ensure that a CWIP Task Manager is designated.

The CWIP Task Manager's name, address and telephone number will be provided to the NOAA OFA Budget Execution Office when the CWIP task is established. The OFA Budget Execution Staff will, in consultation with OFA Finance, review the project to ensure that the task meets the established criteria for a CWIP task.

The CWIP Task Manager has the overall responsibility for the financial and budgetary activities involving the project, as well as the responsibility for the accuracy of the valuation of the CWIP asset. The Task Manager's responsibilities are:

- Prepare and/or forward a total project cost estimate to the organizations' Management and Budget (MB) Chief;
- Work with the MB Chief for assignment of CWIP task codes (prior to any obligations being made on the project);
- Determine if a project cost should be capitalized or expensed;
- Review the quarterly CWIP Project List and advise NOAA's OFA Budget Execution Branch of changes in estimated costs, project completion date, or CWIP Task Manager assignment;
- Maintain the documentation file, assuring its completeness and accuracy;
- Conduct monthly reviews of the CWIP Task Status Report (Financial Information Management and Accounting (FIMA) System Report FRFD15C) and verify the accuracy of task code assignments (capital versus expense), object class coding, and dollar amounts;
- Submit cost adjustments for corrections as needed;
- Submit annual cost adjustments to record "Incidental Costs" for the project;
- Conduct annual, end of fiscal year reconciliations between the CWIP project file and the most current CWIP Task Status Report;
- Upon completion of the CWIP project, reconcile the CWIP file documentation to the CWIP Task Status report and complete NOAA Form 37-6;
- Notify appropriate servicing payments office to accrue undelivered orders to accounts payable;

- Transfer NOAA Form 37-6, with the original documentation file, to the appropriate property office; and,
- When final payment is authorized for the project, submit amended NOAA Form 37-6 to the appropriate property office if total capitalized amount differs from the amount recorded earlier.

The details of this responsibility are included in Appendix C .

2.0 Task Code Assignment

2.1 Task Code Assignment

Once a project is identified as a Construction Work-in-Progress, the CWIP Task Manager, working through the organizations' MB staff and the OFA Budget Execution Staff, will ensure that unique CWIP task code(s) required are assigned to the project. A CWIP project will have, as a minimum, two task codes: (1) a unique task code assigned to capture all costs associated with that project that are to be capitalized, and (2) a second task code for non-capitalizable (expense) costs associated with that project.

The accounting system must be able to recognize tasks as being for a CWIP project if those costs are to be accumulated in a CWIP asset account. Given the fact that funds for CWIP projects are included in two separate appropriations, and given the current limitations of the FIMA system, two different coding schemes are required. One of the coding schemes is for the direct OR&F appropriation and the other is for accounts (appropriations): Procurement, Acquisition and Construction (PAC) and reimbursables where NOAA will eventually take possession of and capitalize the asset. The task coding for CWIP tasks is described below.

2.2 Operations, Research and Facilities (OR&F) Appropriation Task Coding

In the direct funded portion of the Operations, Research and Facilities (OR&F) Appropriation (Identification Code 13-1450-0-1-306), Capital Acquisition, Appropriation code "4" is to be used as a means of capturing the full costs of CWIP tasks that are to be capitalized and ultimately depreciated. The "4" designator will be used in the appropriation designator of an OR&F task.

> Example: For an OR&F task that meets the criteria for a CWIP task (see Section 3), instead of the task code beginning with "8T1D" the OR&F CWIP task code would begin with "4T1D".

2.3 Other Accounts Task Coding

If the CWIP task is a non-OR&F appropriation task or a reimbursable task where NOAA will eventually take possession of and capitalize the asset, then a unique CWIP task number must be established. For the PAC Appropriation (Identification Code 13-1452-0-1-306) and all reimbursable tasking where applicable, the unique identifier for the purpose of identifying CWIP will be an "F" in the 3rd position of the task code. The financial accounting system has been modified to accommodate this change.

> Example: If a PAC Appropriation task meeting the definition of a CWIP project was previously assigned the task number "2T1BML", this task number would be changed to "2TFBML".
>
> Example: A reimbursable CWIP task, where NOAA will eventually take possession of and capitalize the asset, would be "BTFDAF", instead of the previously assigned "BT1DAF". (**IMPORTANT NOTE**: For reimbursable projects, the Interagency Agreement (IAG) **must** state that NOAA will retain ownership of the asset if NOAA will be capitalizing the property. Task Managers should contact NOAA's OFA Finance Office for further guidance on this accounting).

Since the General Ledger of the accounting system accumulates the cost of each CWIP project separately, it is important that each task number issued be used for that specific project only. It is useful to establish the fifth and sixth position of the task code as a unique identifier to a specific project, i.e., a project in Santa Cruz might have "SC" as the identifier in both the CWIP and expense task numbers (2TFBSC for CWIP and 2T1BSC for non-capitalized costs).

Care must be exercised by the Financial Management Center (FMC) and Line Office in ensuring that tasks can stand alone and are not of a support type function which must be allocated to several tasks or included in their General Support task plan.

3.0 Construction Work-In-Progress Costs

3.1 Cost Discussion and Considerations for Capital Costs

The CWIP capitalized tasks involve construction and installation costs, and generally include all ancillary costs associated with design, delivery, project management, and testing and implementing the equipment or facility. CWIP capitalized tasks are usually non-recurring, although several years may be required to complete large installation projects, and funding may be spread over that period. The Statement of Federal Financial Accounting Standards, Number 6, Accounting for Property, Plant, and Equipment, dated November 30, 1995 from the Federal Accounting Standards Advisory Board (FASAB) states that costs captured shall include all costs

incurred to bring the Property, Plant and Equipment to a form and location suitable for its intended use, and may include:

- amounts paid to vendors;
- transportation charges to the point of initial use;
- handling and storage costs;
- labor and other direct or incidental production costs (for assets produced or constructed);
- engineering, architectural, and other outside services for designs, plans, specifications, and surveys;
- acquisition and preparation costs of buildings and other facilities;
- an appropriate share of the cost of the equipment and facilities used in construction work;
- fixed equipment and related installation costs required for activities, a building or facility;
- direct costs of inspection, supervision, and administration of construction contracts and construction work;
- legal and recording fees and damage claims;
- fair value of facilities and equipment donated to the government; and,
- material amounts of interest costs paid (interest costs refers to any interest paid by the reporting entity directly to providers of goods or services related to the acquisition or construction of PP&E).

If an item is an integral part of a system and is being provided by NOAA instead of the vendor (e.g. a custom-built sensor), then that item shall, for the purposes of personal property records and CWIP accountability, be considered a cost of the system.

In addition to the costs of construction of an asset, costs of additions, alterations, betterments, rehabilitations or replacements that meet the criteria in Section 1, and extend the useful life of the asset, shall be treated as a CWIP project. A "Useful Life Determination" shall be made based on existing NOAA real and personal property policy and documented using memoranda included in Appendix I.

3.2 Cost Valuation

The FASAB Standard No. 6 states that general PP&E items should be recorded at cost. However, because there is more than one way to arrive at a valuation based on cost, there is a need for a hierarchy of cost determination methodologies. Based on traditional accounting theory, and reinforced by the FASAB in Standard No. 6, actual or historical cost is the preferred valuation methodology. For all CWIP projects completed under these policies and procedures, with the exception of "Capital Labor Costs" as defined in Section 3.5.1, there should be no reason that all costs cannot be based on actual amount.

3.3 Funding for Capital Improvements to Real Property

NOAA has received limited annual appropriations for real property and has adopted a methodology for determining which capital improvements projects will be funded each year based on a "priority categorization" for individual projects. This categorization is based on a descending order of priority for projects to:

(1) correct life safety deficiencies or legislatively-mandated repairs or actions;
(2) major systems life-cycle replacement or repair;
(3) modification or upgrade to reflect agency mission or program changes; and,
(4) facility upgrade to industry standards.

This process of prioritization dictates that funds be committed at the project level, versus the overall facility or site, to avoid situations where scarce resources are applied to low priority projects lumped into one allocation at a site while life safety concerns are unfunded at a separate location. Individual project funds are requested independently and funded as discrete activities.

NOAA does occasionally simultaneously fund multiple projects at one site when allocating funds. Those projects may be developed and contracted for separately, but could be combined for the purpose of determining if the work at the site should be capitalized or expensed.

Effective October 1, 1997, when multiple projects at a single facility are simultaneously funded, those projects will be grouped and the criteria for determining capitalization of improvements to Real Property will be applied to the aggregate of projects. If monies for additional projects at that site are provided after the initial allocation, those projects will be treated as individual activities for determining capitalization and will not be added to the original effort and determination.

3.4 Financial Operating Planning

If the total estimated CWIP project cost is less than $500K, then the Financial Operating Plans (FOPs) do not need to be submitted at the CWIP task level. If the total estimated CWIP project cost is $500K or more, then the Financial Operating Plans will be submitted at the Task Level. FOPs need only total to the allowance in the aggregate.

3.5 Capital Costs

Specific examples of costs to be included in CWIP for capitalization include:

- NOAA staff labor cost for in-house design and engineering of "final design" - defined as architectural and engineering design used for construction or production contracting*;

- actual contract costs with modifications for architectural and engineering contract design and engineering of "final design"*;
- actual costs for architectural and engineering task orders for design surveys (i.e., geotechnical survey to finalize foundation design in process -- to be distinguished from surveys conducted in the planning stage, i.e., land surveys);
- storage costs of GFE delivered prior to installation date;
- duplication costs of 100% design drawings;
- construction contract and all modifications; and,
- materials and all actual labor associated with in-house construction.

*Note: If design is stopped for a change in scope, a determination must be made whether to capitalize the design costs to date. If the original design is abandoned and a new design initiated, a cost adjustment must be made to transfer those design costs already recorded from CWIP to a non-capitalized task number(s). If the original design is retained and modified, the design costs already recorded will remain in CWIP and the additional costs will be added within the CWIP task number(s).

3.5.1 Capital Labor Costs

A. NOAA labor costs for in-house design and engineering of CWIP projects must be captured as a capitalized labor cost. The labor costs will be reflected in the CWIP Task Status Report (FIMA System Report FRFD15C), and will be encompassed within Object Class Codes 11XX, 12XX and 98XX (salary, leave, benefits and indirect costs). The sum of these three object class codes will be the total labor cost to be capitalized.

B. In addition, for all CWIP projects, an "incidental and administrative" cost will be captured to represent costs for:

- labor for procurement, finance, supervisory, clerical, etc.
- labor for engineers performing project management tasks associated with A/E design effort and construction management tasks.
- program/client labor associated with design review and construction management.
- all other non-labor, i.e., travel, printing (other than final design drawings that go with the construction solicitation), ordinary supplies, etc.

NOAA will use a 3% and 5% calculation for incidental and administrative costs, which eliminates the need to capture actual costs for these type activities.

The 3% and 5% will be recorded as a cost adjustment on an annual basis, calculated in monthly increments. For real property construction, the 3% and 5% will be calculated as a percentage of the estimated construction contract cost only. For personal property construction, the 3% and 5% will be calculated as a percentage of the estimated total project cost.

A cost adjustment of 3% will be applied for projects with a relevant cost (construction or total project) estimated to be $1,000,000 or greater, and for projects under $1,000,000 a cost adjustment of 5% will be applied. The amortization period for the 3% and 5% calculation shall be the design and construction period. **No cost adjustments are required** until the fiscal year in which design begins. A sample spreadsheet for this calculation is included in Appendix H. An electronic version of this spreadsheet is available from NOAA Budget Execution.

For the annual cost adjustment for incidental costs, a separate and distinct set of task codes must be used. Costs must be adjusted from a funded non-CWIP related task code to the CWIP task number. For OFA, all incidental and administrative cost adjustments will be made from 8P1BC and to the appropriate CWIP task. On the NOAA Form 34-34 , "Accounting Coding Document" for this adjustment, record "86" as the document type, any nine character alpha/numeric project identifier as the document number, and 2536 as the object class code. (Appendix F).

3.5.2 Incorporation of Leave and Benefits and Indirect Costs

When direct labor is charged to a task, the accounting system (FIMA) will apply a leave and benefit surcharge and NOAA indirect costs to the project. This will ensure the full cost of the labor is associated with the project.

For the purposes of estimating the full labor costs of a project, the organization should use the total cost of labor which is made up of:

a. cost of the direct labor (hourly rate times the number of hours);
b. the leave surcharge amount (cost of direct labor times the FMC leave surcharge rate);
c. the benefit surcharge (the sum of "a" and "b" times the benefit rate); and,
d. NOAA indirect costs.

The initial FMC leave surcharge rate and the NOAA benefit rates are included in the Budget Office's initial call letter provided to each organization prior to the start of the fiscal year.

If, for some reason, a labor cost adjustment must be made to reassign some labor to a project, the use of a Labor Cost Adjustment Document NOAA Form 34-68 will result in the leave and benefit rates being applied to direct labor on the projects. If a summary level cost adjustment is made using a Form 34-34, the leave and benefit surcharges will not be applied.

3.6 Expensed Costs

Specific examples of costs not included in CWIP for capitalization but instead to be recorded as an expense include:

- planning activities, to include economic/cost benefit analyses, National Environmental Policy Act (NEPA) activities, programming studies, conceptual space layouts and designs, surveys prior to initiation of final design, etc.;
- ordinary administrative supplies (i.e., copy paper, office equipment, etc.);
- incidental and administrative labor costs (i.e., supervisory, clerical/administrative, acquisition management staff, accounting technicians, engineering or technical labor associated with outsourced contract design efforts, etc.);
- personal property equipment developed as prototypes "leading to development of specification" that will be used for purchase/production - these are "pre-design" costs;
- personal property equipment constructed for Research and Development that is intended as an experimental, changing product rather than as a finished product; and,
- personal property equipment used for administrative support.

It should be noted that there are only a few circumstances in which ordinary administrative supplies, personal property equipment used for administrative support, and actual incidental and administrative labor costs would be recorded as CWIP costs. For example, these costs for the Major Systems and Satellite acquisition programs would be captured as CWIP costs because these functions would not exist if these systems were not being procured.

3.6.1 Expensed Labor Costs

Actual incidental and administrative labor costs (see Section 3.5.1 for a listing) represent an expense of the agency for work "performed as part of the normal course of business" insofar as these staff members perform these same type tasks irrespective of specific projects in the CWIP process.

4.0 Documentation

4.1 Documentation Requirements

The CWIP file should contain adequate supporting documentation for proper cost valuation of the asset. The NOAA Form 37-6 (Appendix G) "Report of Property Constructed" is executed at project completion and summarizes costs to be capitalized as the basis for the asset value entered into the PP&E portion of the general ledger and the PMIS/RSMIS systems.

The CWIP Task Manager must obtain copies of source documents for those costs, and the file should include, but is not limited to:

- copies of construction or production contract and all modifications and related invoices;
- copies of travel vouchers for inspections or design review (only for projects involving NOAA staffed, in-house designs);
- copies of architectural and engineering contract task orders and related invoices;
- bills of lading for transportation charges;
- the Financial Information and Management Accounting (FIMA) System CWIP Task Status Report (FRFD15C) to document direct labor costs;
- copies of contracts for construction management services and related invoices;
- copies of billing for space charges for storage costs;
- copies of invoices for duplicating drawings and specifications for final design;
- copies of purchase orders, Receipt and Inspection Reports and related invoices for materials purchased for in-house construction;
- CD-509 "Property Transaction Report" for personal property construction; and,
- CWIP spreadsheet or planning document as a cost and documentation checklist.

The documentation to support the acquisition labor and administrative cost methodology for Fleet Appropriation projects will not be in the CWIP Task File, but will instead be retained and available at the Systems Acquisition Office.

5.0 Transferring the Property from CWIP to PP&E

The Statement of Federal Financial Accounting Standards, Number 6, states that PP&E shall be recognized when title passes to the acquiring entity or when the PP&E is delivered to the entity or to an agent of the entity. In the case of constructed PP&E, the PP&E shall be recorded as Construction Work-In-Progress until:

a. NOAA has established "Beneficial Occupancy" of real property (the Beneficial Occupancy Date, or BOD, shall be used as the "acquisition date" for purposes of depreciation);

b. NOAA has "accepted" personal property (except for ships); and,

c. NOAA has accepted "delivery" for NOAA Fleet (acceptance has been established as the "Delivery Date" and "delivery date" shall be used as the "acquisition date" for purposes of depreciation).

The asset costs will be transferred from CWIP to general PP&E on the effective "acquisition date". To initiate that transfer, the CWIP Task Manager will send the completed original of the Form 37-6 "Report of Property Constructed", together with the file containing all required documentation to support the costs summarized on the form, to the appropriate Property Officer (Real or Personal).

Appendices

Appendix A: Policy and Procedures for Reporting Construction Work-In-Progress and Capitalization of Major Systems

Appendix B: Policy and Procedures for Reporting Construction Work-In-Progress and Capitalization of Satellites

Appendix C: Construction Work-In-Progress Processing Flow and Responsibilities

Appendix D: Construction Work-In-Progress Task Status Report (FRFD15C)

Appendix E: Standardized Labor Distribution Worksheet Procedures Memorandum

Appendix F: NOAA Form 34-34 Cost Adjustment

Appendix G: NOAA Form 37-6, Report of Property Constructed

Appendix H: Incidental Cost Spreadsheet

Appendix I: Glossary of Terms

Appendix J: References

Glossary of Terms *Appendix I*

Additions, Alterations, Betterment, Rehabilitations, or Replacements - that extend the useful life of the asset or its service capacity, shall be capitalized as property, plant and equipment at their cost. The cost of other repairs and maintenance shall be expensed.

Capital Assets - are items that provide long-term future economic benefits to the organization which maintains or obtains control. These items are commonly referred to as fixed assets, which include land, structures, equipment, vehicles, intellectual property (including software), and leasing agreements and have an estimated useful life of two years or more. They may possess physical characteristics (tangible) or provide special rights of ownership or use (intangible). Capital assets exclude items acquired for resale in the ordinary course of operations or held for the purpose of physical consumption such as operating materials and supplies. The cost of a capital asset includes both its purchase price and all other costs incurred to bring it to a form and locations suitable for its intended use.

Capital assets may be acquired in different ways: through purchase, construction, or manufacture; through a lease-purchase or other capital lease, regardless of whether title has passed to the Federal Government, or through exchange. Capital assets include leasehold improvements and land rights; assets owned by the Federal Government but located in a foreign country or held by others (such as Federal contractors, state and local governments, or colleges and universities); and assets whose ownership is shared by the Federal Government with other entities. Capital assets include not only the assets as initially acquired but also additions; improvements; replacements; rearrangements and reinstallations; and major repairs but not ordinary repairs and maintenance.

Capital assets do not include grants for acquiring capital assets made to state and local governments or other entities. Capital assets also do not include intangible assets such as the knowledge resulting from research and development (R&D) or the human capital resulting from education and training, although capital assets may include land, structures, equipment and intellectual property (including software), that the Federal Government used in R&D and education and training. Personal Property equipment constructed for R&D that is intended for future cannibalization should be expensed. Equipment constructed for R&D that will remain an intact, finished product for its useful life will be capitalized.

Capitalize - To record and carry forward into one or more future periods any expenditure the benefits or process from which will then be realized. (Kohler's Dictionary for Accountants)

Construction Work-In-Progress (CWIP) - A temporary "holding account" for collecting costs during projects related to the acquisition of capital property, plant and equipment. Applicable to project defined by the following: 1) having an aggregate acquisition cost of $200,000 or more; 2) having an estimated service life of 2 years or more; 3) provides a long-term economic benefit to the organization which maintains or obtains control, and 4) not intended for sale in the ordinary course of operations, and 5) will eventually be capitalized and reported in the financial statements.

Cost - The financial measure of resources consumed in accomplishing a specific purpose such as performing a service, carrying out an activity, or completing a unit of work or a specific project.

CWIP Task Manager - The individual who initiates obligating documents for a CWIP project. They will also collect, record, and verify all costs, including direct and incidental labor associated with the CWIP project.

Depreciation and Amortization - Methods used for allocating the cost of the capital assets over their estimated useful lives. There are various types of methods used for systematically depreciating/amortizing assets; however, each process involves the periodic write-off and reduction in the book value or cost of a tangible or intangible asset.

Economic Life - The period during which a fixed asset is capable of yielding services of value to its owner (See "useful life").

Final Design - The development of the drawings and specifications that are ultimately used in the construction of the project.

Intangible Asset - A right or nonphysical resource that is presumed to represent an advantage to the organization's position. Such assets include copyright, patents, TRADEMARKS, goodwill, computer programs, organization costs, and licenses.

Property Management Information System (PMIS) - PMIS is the Property Management Information System used by NOAA to track personal property. This system is operated by the Department of Agriculture at the National Finance Center (NFC). The four Administrative Support Centers, along with NOAA headquarters personnel, maintain

the data contained within PMIS for the clients within each service area.

Property, Plant and Equipment (PP&E) - Tangible assets that (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available for use by the entity. There are four categories of Federal PP&E: (1) general PP&E are PP&E used to provide general government services or goods; (2) National Defense PP&E are PP&E exhibiting specific characteristics set by the Board; (3) heritage assets are those assets possessing significant educational, cultural, or natural characteristics; and (4) stewardship land (i.e., land other than that included in general PP&E).

Real Estate and Space Management Information System (RSMIS) - RSMIS is the Real Estate and Space Management Information System which was developed to enable management to generate inventory real property reports. The data contained in the RSMIS database encompasses the different stages of a real property's existence, from acquisition to disposal. The four Administrative Support Centers, along with NOAA headquarters personnel, maintain the data contained within RSMIS for the clients within each service area.

Useful Life - The normal operating life in terms of utility to the owner.

References ***Appendix J***

Chief Financial Officers (CFO) Act of 1990.

Department of Commerce (DOC), Accounting Principles and Standards Handbook, dated August 14, 1996.

Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), Budget Handbook, dated 6/30/94.

Department of Commerce, National Oceanic and Atmospheric Administration (NOAA), Finance Handbook, dated April 6, 1995.

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Office of Management and Budget, Preparation and Submission of Budget Estimates, Circular No. A-11, dated June 1997.

Office of Management and Budget, Instructions on Budget Execution, Circular No. A-34, dated December 1995.